

Residential PACE Consumer Protection Task Force

DRAFT Minutes

Friday, July 14, 2014

Present: Anne O'Connor (Chair), Will Nissen (Fresh Energy), Mary Jo George (AARP), Ron Elwood (Legal Services Advocacy Project), Janet Johnson (MN Bankers Assn), Mara Humphrey (MN Credit Union Network), Julie Padilla (Renovate America), John Kearney (MnSEIA), Logan O'Grady (Clean Energy Economy Minnesota), Craig Johnson (League of MN Cities), Chris Duffrin (Center for Energy & Environment), Annie Levenson-Falk (Citizens Utility Board), Emily Pugh (Assn of MN Counties), Ryan Hamilton (delegate of Paul Eger, MN Realtors), Laurie Hansen (delegate of Peter Klein, St. Paul Port Authority)

Chair O'Connor called the meeting of the Task Force to order at 9:00 AM

AGENDA:

- Welcome
- Introductions
- Review Statute and Task Force Charge
- Documents and Helpful Information for Task Force
- Organization of Future Meetings, Goals & Timeline
- PACE 101 Presentation
- Evolution of Residential PACE Presentation
- Lender Requirements Presentation
- Public Comment

CHARGE

Chair O'Connor gave an overview of the Task Force's charge. This document was provided in members' binders.

The Task Force is charged with developing recommendation to:

1. Address concerns regarding the possible constraints on free alienation of residential property caused by existence and amount of the PACE liens;

2. Reduce and minimize any point-of-sale confusion in transactions involving PACE-encumbered homes;
3. Ensure conspicuous and meaningful disclosure of, among other things:
 - a. all costs and fees of a residential PACE loan; and
 - b. the risks, such as foreclosure and higher costs, that may be associated with residential PACE loans relative to other financing mechanisms;
4. Ensure that the ability to repay standard uses commonly accepted underwriting principles;
5. Ensure that consumer provisions required of and protections that apply to conventional loans and other financing options, including but not limited to the Truth in Lending Act and the Real Estate Settlement Procedures Act, are required of and apply to PACE financing;
6. Address any unique protections necessary for elderly, low-income homeowners and other financially vulnerable homeowners;
7. Establish criteria to ensure the cost-effectiveness of PACE-enabled clean energy improvements; and
8. Address any other issues the task force identifies that are necessary to protect consumers.

The Task Force must submit a report including any draft legislation necessary to implement the recommendations by January 15, 2018.

There were no comments from members of the Task Force on the Charge document.

Documents and Helpful Information

Chair O'Connor went over the ground rules for the Task Force. This document was provided in members' binders.

There were no comments from members of the Task Force on the Ground Rules document.

Organization of Future Meetings

Chair O'Connor presented the draft meeting timeline and schedule. The draft timeline was provided in members' binders.

Comments/Questions:

- Members want to ensure there is room to adjust the timeline and topics as the Task Force moves forward.
- There may not be need for this amount of meetings. The Task Force may be able to get its work done quicker.
- There are people in the room at varying levels in their understanding of PACE. The more we build knowledge in the beginning will speed the process.
- *Question:* Is it possible to submit comments in advance of the meeting if a member is not able to attend?
 - *Response:* Yes. Please email comments in advance to Megan Verdeja at megan.verdeja@state.mn.us

- The Task Force should delay the discussion around liens until further in the process.

Chair O'Connor requested that members submit all requests for additional information needed, agenda requests and supplemental materials to Megan.

PACE 101

Jessica Burdette, State Energy Office Manager with the Commerce Department, gave a PACE 101 presentation. Copies of the presentation were provided in members' binders.

Comments/Questions:

- *Question:* How does financing work in California?
 - *Response:* Underwriting qualifications are agreed upon by the Local Unit of Government and the PACE provider. The approval starts with the PACE financing provider, but final approval goes through the district.
- Members requested Renovate America to provide a flow chart regarding how the money flows in a Residential PACE transaction and the legal relationships between the parties involved.
 - Julie Padilla (Renovate America) agreed to provide this information for the next Task Force meeting.
- Members requested more information on how other lenders' programs work.
 - There will be a more in-depth overview of lender requirements at the next meeting.
- There was confusion around definitions and terms being used.
 - Commerce will provide a glossary of terms at the next meeting.
- *Question:* Is financing 100% of a project unusual?
 - *Response:* There is a distinction between financing the full project and financing a percent of the property value.
- *Question:* If you were financing an improvement (such as window replacement) through a conventional loan where the financing is done through the company, is this the same situation?
 - *Response:* The answer depends on whether the financing was secured or unsecured.

Evolution of Residential PACE

Jessica Burdette gave a presentation on the Evolution of Residential PACE. The document was provided in members' binders.

Comments/Questions:

- FHFA (Federal Housing Finance Agency) is not the same as FHA (Federal Housing Administration)
- The document shows the average PACE assessment in California (less than \$25,000). Clarification was made that this is average for California and the average is less in other states.

Lender Requirements

Marcia Lewis, Credit Union Chief Examiner with the Commerce Department, gave a high-level overview of lender requirements. The presentation was provided in members' binders.

- *Question:* Why are people taking PACE loans versus conventional loans?
 - *Response:* PACE isn't perfect for every owner. PACE funding accounts for 1-2% of all home upgrades. PACE provides longer term financing and appeals to people who don't have access to a home equity line of credit or second mortgage and don't have cash on hand. PACE interest rates have dropped to below 3%.
- Members requested more information on lending requirements and types of loans at the next meeting.

Public Comment

No members of the public wished to address the Task Force.